

**Ciba**



**Ciba Specialty Chemicals PLC**

15 months ended  
31 December 1997

Registration number 3249009

Ciba Specialty Chemicals PLC  
Charter Way  
Macclesfield  
Cheshire  
SK10 2NX



# **Ciba Specialty Chemicals PLC** and its subsidiary

## **Directors and Officers**

Directors	H Vodicka (Chairman)	(appointed 11 December 1996)
	B G Kerr	(appointed 11 December 1996)
	I E F Stewart	(appointed 11 December 1996)
	M D Wright	(appointed 11 December 1996)
Secretary	I E F Stewart	
Auditors	Arthur Andersen	
Registered Office	Charter Way, Macclesfield Cheshire SK10 2NX	
Registered number	3249009	

# **Ciba Specialty Chemicals PLC** and its subsidiary

## **Report of the Directors**

The Directors hereby submit their report and accounts for the 15 months ended 31 December 1997.

## **Principal activity**

The principal activity of the Group is the manufacture and sale of specialty chemicals.

## **Group structure**

Ciba Specialty Chemicals (UK) Limited was incorporated on 12 September 1996 following the announcement in Switzerland in March 1996 that Ciba-Geigy AG and Sandoz Ltd were to merge their life sciences businesses into a new company, Novartis Inc and the industrial chemicals divisions of Ciba-Geigy would be demerged into a new Company trading as Ciba Specialty Chemicals. In the UK the industrial chemicals divisions of Ciba-Geigy PLC were transferred into Ciba Specialty Chemicals (UK) Limited on 31 December 1996 by way of a dividend in specie of £110m representing the transfer of the industrial chemicals divisions and relevant corporate assets at net book value. The make up of the dividend was as follows:

	£000
Tangible fixed assets	178,466
Stock	83,163
Debtors	81,054
Cash	1,178
Other liabilities	(75,574)
Debt owed to Ciba-Geigy PLC	<u>(158,287)</u>
	<u>110,000</u>

On 1 September 1997 the Company was re-registered as a public limited company and changed its name to Ciba Specialty Chemicals PLC.

## **Directors**

The Directors who served during the period were:

H Vodicka	(appointed 11 December 1996)	(Chairman)
B G Kerr	(appointed 11 December 1996)	
I E F Stewart	(appointed 11 December 1996)	
M D Wright	(appointed 11 December 1996)	
Dennis House Nominees Limited	(resigned 11 December 1996)	

## **Group results**

The profit for the period was £28.8 million. This was arrived at after crediting net exceptional items of £12.1 million (see note 3). No dividend will be paid for the period ended 1997.

## **Share capital**

On 22 August 1997 there was a restructuring of the share capital of the Company. The changes in share capital are set out in note 16 to the accounts.

## **Fixed assets**

Investment in fixed assets during the year was £32.2 million. The changes in the tangible assets of the Company and Group are set out in notes 9 and 10 to the accounts.

# **Ciba Specialty Chemicals PLC** and its subsidiary

## **Involvement of employees**

The Group's commitment to increasing empowerment of employees demands an effective exchange of information. The process of team briefing by line managers continues to be the important basis for ensuring good internal communications. This is supplemented by both divisional and Group-wide publications.

## **Employment of disabled persons**

It remains the Group's policy that disabled people are given the same consideration as other applicants for all job vacancies for which they offer themselves as suitable candidates.

Every effort has been made to ensure that line managers fully understand that disabled people must have the same prospects and promotional opportunities that are available to other employees. The Group makes appropriate modifications to procedures, equipment and job content where it is practicable and safe to do so. Employees who become disabled during the course of their employment with the Group are helped with rehabilitation and retraining for alternative work if they are unable to continue in their existing jobs.

## **Research and development**

Ciba undertakes research and development on a worldwide basis. The Company makes a contribution to the total central research expenditure incurred by Ciba and is reimbursed for the costs of research of worldwide application it undertakes in the UK.

## **Political and charitable donations**

No contributions were made by the Group during the year for political purposes. Donations amounting to £20,000 were made for charitable purposes. In addition, £211,000 was contributed during the period for scientific, educational, research and welfare purposes.

## **Creditor payment policy**

The Group's current policy concerning the payment of the majority of its trade creditors is as follows:

- (a) to settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- (b) to ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) to pay in accordance with its contractual and other legal obligations.

The average creditor payment days for the period was 36 days.

## **Directors and their interests in the shares of the Company**

The Directors of the Company at 31 December 1997 were as stated on page 1.

According to the register kept under Section 325 of the Companies Act 1985, no Director had any beneficial interest in the shares of the Company, a subsidiary of the Company, the Company's holding company, or a subsidiary of the Company's holding Company, either at the beginning or the end of the period. As permitted by statutory instrument, the register does not include any shareholdings of Directors in the holding Company and its overseas subsidiary companies.

# **Ciba Specialty Chemicals PLC** and its subsidiary

## **Directors' responsibilities**

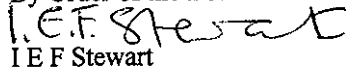
United Kingdom Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to select suitable accounting policies and then apply them consistently, making judgements and estimates that are reasonable and prudent, to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and to prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company and Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group, and enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Auditors**

A resolution to reappoint Arthur Andersen as auditors of the Company will be proposed at the Annual General Meeting.

By Order of the Board

  
I E F Stewart

Company Secretary

13 March 1998

# **Ciba Specialty Chemicals PLC** and its subsidiary

## **Report of the Auditors to the shareholders of Ciba Specialty Chemicals PLC**

We have audited the financial statements of Ciba Specialty Chemicals PLC on pages 6 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

### **Respective responsibilities of Directors and auditors**

As described on page 4 the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1997 and of the profit and cash flows of the Group for the 15 months then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and  
Registered Auditors  
Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

13 March 1998

# Ciba Specialty Chemicals PLC and its subsidiary

## Consolidated Profit and Loss Account

for the 15 months ended 31 December 1997

	Notes	1997 £000
<b>Turnover</b>	<b>1</b>	
Continuing operations		<b>411,111</b>
<b>Group trading profit on ordinary activities</b>	<b>2</b>	
Continuing operations		<b>35,511</b>
<b>Exceptional items</b>	<b>3</b>	
Continuing operations		
Provisions for fundamental restructuring costs		(2,770)
Profit on disposal of land and buildings at cost		6,161
<b>Profit before interest and taxation</b>		<b>38,902</b>
Interest payable and similar charges	<b>4</b>	<b>(10,132)</b>
<b>Profit before taxation</b>		<b>28,770</b>
Tax on profit on ordinary activities	<b>5</b>	-
<b>Retained profit for the period</b>	<b>17,18</b>	<b>28,770</b>

There is no material difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis.

The company has no recognised gains or losses other than the retained profit for the period. A statement of movement on reserves is given in note 18.

The accompanying notes form an integral part of these accounts.

# Ciba Specialty Chemicals PLC and its subsidiary

## Consolidated Balance Sheet

for the 15 months ended 31 December 1997

	Notes	1997 £000
<b>Fixed assets:</b>		
Tangible assets	9	191,299
<b>Current assets:</b>		
Stocks	11	74,246
Debtors	11	101,582
Cash at bank and in hand		6,561
		182,389
<b>Creditors: amounts falling due within one year</b>	13	(107,938)
<b>Net current assets</b>		74,451
<b>Total assets less current liabilities</b>		265,750
<b>Creditors: amounts falling due after more than one year</b>	14	(106,120)
Provisions for liabilities and charges	15	(20,837)
<b>Net assets</b>		138,793
<b>Capital and reserves:</b>		
Called-up share capital	16	49,991
Share premium account	18	60,032
Profit and loss account	18	28,770
<b>Total equity shareholders' funds</b>		138,793

Signed on behalf of the Board on 13 March 1998

B G Kerr

}

Directors

I E F Stewart

}

*I.E.F. Stewart*

*B.G. Kerr*

The accompanying notes form an integral part of these accounts.



**Ciba Specialty Chemicals PLC and its subsidiary**

**Consolidated Cash Flow Statement**

for the 15 months ended 31 December 1997

	Notes	1997 £000
<b>Cash flow from operating activities</b>	19	(119,624)
<b>Returns on investment and servicing of finance</b>	20	(8,553)
<b>Taxation</b>		-
<b>Capital expenditure and financial investment</b>	20	(21,639)
<b>Cash outflow before use of liquid resources</b>		(149,816)
<b>Financing</b>	20	156,377
<b>Increase in cash in period</b>		<u>6,561</u>

**Reconciliation of net cash flow to movement in net debt**

<b>Increase in cash in the period</b>	6,561
<b>Cash inflow from increase in debt</b>	(156,377)
<b>Net debt at beginning of period</b>	-
<b>Net debt at end of period</b>	<u>(149,816)</u>

The accompanying notes form an integral part of these accounts.

# Ciba Specialty Chemicals PLC and its subsidiary

## Balance Sheet of Ciba Specialty Chemicals PLC

for the 15 months ended 31 December 1997

	Notes	1997 £000
<b>Fixed assets:</b>		
Tangible assets	9	191,299
Investment in subsidiary undertaking	10	-
		<u>191,299</u>
<b>Current assets:</b>		
Stocks	11	74,246
Debtors	12	143,234
Cash at bank and in hand		6,561
		<u>224,041</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(149,860)</u>
<b>Net current assets</b>		<u>74,181</u>
<b>Total assets less current liabilities</b>		<u>265,480</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(106,120)
Provisions for liabilities and charges	15	(20,837)
<b>Net assets</b>		<u>138,523</u>
<b>Capital and reserves:</b>		
Called-up share capital	16	49,991
Share premium account	18	60,032
Profit and loss account	18	28,500
<b>Total equity shareholders' funds</b>		<u>138,523</u>

Signed on behalf of the Board on 13 March 1998

B G Kerr } Directors  
I E F Stewart }

*I.E.F. Stewart*

*B.G. Kerr*

The accompanying notes form an integral part of these accounts.

# **Ciba Specialty Chemicals PLC and its subsidiary**

## **Accounting policies**

for the 15 months ended 31 December 1997

### **1 Accounting convention**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

### **2 Basis of accounting**

The financial statements are prepared under the historical cost convention.

### **3 Basis of consolidation**

The group accounts consolidate the accounts of Ciba Specialty Chemicals PLC and its subsidiary company, made up to the end of the financial period.

Internal sales and unrealised profits are eliminated on consolidation and all sales and profit figures relate only to external transactions, which include significant trading with the holding company (Ciba Specialty Chemicals Holding Inc) and other subsidiaries of the holding company

### **4 Turnover**

Turnover is defined as the amounts invoiced for goods supplied excluding Value Added Tax or equivalent overseas sales taxes.

### **5 Tangible fixed assets**

Depreciation of tangible fixed assets is provided on a straight line basis to write off the cost by equal annual instalments over their estimated lives, taking into account commercial and technical obsolescence as well as normal wear and tear. Depreciation on assets qualifying for government grants is calculated on their full cost, but no depreciation is provided on assets in the course of construction.

The principal estimated lives are as follows:

- Buildings	33 years
- Plant and machinery	10-20 years
- Fixtures and fittings	3-10 years

Government grants in respect of capital expenditure are credited to the profit and loss account over the estimated life of the fixed assets to which they relate. The grants shown in the balance sheets represent the total grants receivable to date less the amounts so far credited to the profit and loss account.

Costs in respect of operating leases are charged in arriving at the operating profit.

## **Ciba Specialty Chemicals PLC and its subsidiary**

### **Accounting policies (continued)**

for the 15 months ended 31 December 1997

#### **6 Research and development**

All research and development expenditure borne by the group, including all expenditure in respect of patents and trade marks, is written off as incurred.

#### **7 Stocks**

Stocks are valued at the lower of cost and net realisable value. The cost of products manufactured includes an appropriate allocation of overheads. Provision is made for obsolete and slow moving stocks.

#### **8 Translation of foreign currency**

Trading assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange ruling at the year end; exchange gains and losses are taken to trading profit.

#### **9 Pension and post-retirement benefits**

A contributory pension scheme is administered by appointed trustees.

The pension cost charged to the profit and loss account is calculated on a basis designed to ensure that the cost is a substantially level percentage of the pensionable payroll for the foreseeable future. This may not therefore coincide with the contributions actually made to the pension fund, with any differences shown as provisions or prepayments.

The assets and liabilities of the scheme are valued periodically by independent actuaries at intervals of not more than three years. Any surplus arising from a valuation is amortised over the average working lives of existing employees.

The expected cost of providing post-retirement medical insurance is recognised over the period of service of the employees as calculated by independent actuaries, being reviewed at intervals of not more than three years.

#### **10 Repairs and renewals**

All expenditure on repairs and renewals is written off as incurred.

#### **11 Deferred taxation**

Provision is made for deferred taxation if it is considered that a liability will arise in the foreseeable future. The rate of United Kingdom Corporation Tax applied is that which is expected to be payable in the period in which the liability arises. The same principles are applied to deferred taxation in relation to pension and post-retirement medical insurance costs.

# Ciba Specialty Chemicals PLC and its subsidiary

## Notes on the Accounts

for the 15 months ended 31 December 1997

### 1 Segmental reporting

1997  
£000

#### Turnover by market:

United Kingdom	182,526
Continental Europe	162,237
America	34,166
Australia, Asia and Africa	32,182
	<u>411,111</u>

All business operations relate to the Group's specialty chemical activities and are based within the United Kingdom.

### 2 Trading profit on ordinary activities

(a) The Group trading profit on ordinary activities is stated after charging the following costs of operations:

1997  
£000

Cost of sales	<u>291,895</u>
Other external charges	295
Staff costs (note 7)	43,255
Depreciation of tangible fixed assets	11,289
Other operating charges	26,340
Net operating expenses before exceptional items	<u>81,179</u>
Exceptional items (note 3)	2,526
Net operating expenses	<u>83,705</u>

# Ciba Specialty Chemicals PLC and its subsidiary

Notes (continued)

for the 15 months ended 31 December 1997

## 2 Trading profit on ordinary activities (continued)

	1997 £000
(b) The following items are charged/(credited) within the cost of operations	
Operating lease rentals:	
Plant and machinery	547
Other assets	573
	<u>1,120</u>
Auditors' remuneration	
- audit fees	116
- non audit fees	47
	<u>451</u>
Directors' emoluments (note 8)	<u>451</u>
Amounts transferred from government grants (note 14)	<u>(266)</u>

## (c) Central research

Ciba Specialty Chemicals PLC makes a contribution to the central research and overhead expenditure of the holding company of an amount agreed annually by independent professional accountants. The costs of research of worldwide application undertaken in the UK are reimbursed annually by the holding company.

The provision for the contribution and the reimbursement of research and overhead costs for 1997 included in these accounts has been estimated and is subject to adjustment on receipt from the independent accountants of their statement of the actual amounts payable and receivable.

## 3 Exceptional items

	1997 Continuing Operations £000
(a) Recognised in arriving at trading profit :	
Permanent diminution in value of plant	2,526
Amortisation of pension surplus (see note 7)	(11,243)
	<u>(8,717)</u>
(b) Recognised in arriving at profit before taxation:	
Provisions for fundamental restructuring of specialty chemicals divisions	2,770
Profit on disposal of land and buildings	(6,161)
	<u>(3,391)</u>

## Ciba Specialty Chemicals PLC and its subsidiary

### Notes (continued)

for the 15 months ended 31 December 1997

	1997 £000
<b>4 Interest payable and similar charges</b>	
On loans wholly repayable within five years:	
Group companies	1,579
Bank interest and similar charges	8,595
	<u>10,174</u>
Interest receivable and similar income	(42)
	<u>10,132</u>

### 5 Tax on profit on ordinary activities

1997  
£000

United Kingdom Corporation Tax

-

The tax charge for the period is less than 31% of the profit due primarily to capital allowances claimed and the disallowable nature of the pension credit received (see note 7).

There is no provision for deferred tax as it is not considered that a liability will arise in the foreseeable future.

The amount of potential deferred taxation is as follows:-

	Group 1997 £000	Company 1997 £000
Capital allowances exceeding depreciation, and other timing differences	24,764	24,764
Post retirement medical insurance costs	(631)	(631)
Capital gains rolled over	1,764	1,764
Losses for taxation purposes	(1,108)	(1,108)
	<u>24,789</u>	<u>24,789</u>

## Ciba Specialty Chemicals PLC and its subsidiary

### Notes (continued)

for the 15 months ended 31 December 1997

#### 6 Profit of Ciba Specialty Chemicals PLC

A profit of £28,500,000 attributable to the shareholders of Ciba Specialty Chemicals PLC has been dealt with in the accounts of that Company. Ciba Specialty Chemicals PLC has taken advantage of the legal dispensation allowing it not to publish a separate profit and loss account.

#### 7 Employees

1997

(a) The average number of employees including executive Directors during the period is analysed by below:

1,869

(b) Cost of employees, including executive Directors

1997

£000

Wages and salaries

49,096

Social security costs

3,968

Amortisation of pension surplus

(11,243)

Education, training and welfare

1,434

43,255

(c) Pension scheme

The Company operates a defined benefit pension scheme funded by contributions from members and from the Company. The total pension cost for the Group is assessed in accordance with the advice of an independent actuary using the projected unit method.

The assets of the pension scheme are held in a separate trustee administered fund for which the the most recent actuarial valuation was carried out at 1 January 1997.

The principal assumptions can be summarised as follows:

i) To allow for inflation the long term yield, which may be expected to be earned on new investments over a considerable period in the future, will exceed the general rate of salary increases by 2 per cent per annum and the rate of pension escalation by 4 percent per annum.

ii) Retirements in good health will occur at normal retirement age and appropriate allowance for mortality, withdrawal, ill-health and early retirement has been made.

The market value of the scheme's assets at the valuation date was £221 million and the actuarial value of the assets was sufficient to cover 147% of the benefits that accrued to members, after allowing for expected future increases in earnings, and for the improvements made to the scheme.



## Ciba Specialty Chemicals PLC and its subsidiary

Notes (continued)

for the 15 months ended 31 December 1997

### 7 Employees continued

#### (c) Pension scheme (continued)

The surplus arose as a result of a strong investment performance by the pension fund. As a result of the valuation an adjustment in accordance with SSAP24 of £11.2 million was credited to the profit and loss account.

An amount of £18.2m is included in prepayments, which represents the accumulated prepaid contributions prior to valuation together with the credit arising from the pension surplus.

#### (d) Post-retirement medical insurance

The Company provides contributions towards medical insurance costs of certain employees beyond their retirement date. These arrangements are unfunded and the latest full actuarial valuation was calculated at 31 December 1996 for Ciba-Geigy PLC by independent actuaries.

The principal assumptions can be summarised as follows:-

i) The rate of medical expenses inflation has been assumed as 10% p.a for the next five years, falling linearly over the next five years to 7% and being 7% p.a. thereafter.

ii) The discount rate used is 9%.

iii) Other assumptions are consistent with those made in evaluating the pension cost.

During the period the provision was reviewed to take account of costs and savings relating to buyout arrangements and changes to benefits but no changes were required.

The movement on the provision is as follows:-

	1997 £000
<u>Transferred from Ciba-Geigy PLC and the closing provision</u>	<u>2,036</u>

# Ciba Specialty Chemicals PLC and its subsidiary

Notes (continued)

for the 15 months ended 31 December 1997

<b>8 Directors</b>	<b>1997</b>
	<b>£000</b>

(a) Emoluments of Directors,

Payments to executive Directors	<b>451</b>
---------------------------------	------------

(b) Pensions of Directors

The number of Directors who were members of pension schemes was as follows:

**1997**

Defined benefit schemes	<b>4</b>
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(c) Highest paid Director

The above amounts for emoluments include the following in respect of the highest paid Director

**1997**

**£000**

Emoluments	<b>226</b>
------------	------------

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid Director at 31 December 1997 was £66,226. There was no lump sum entitlement at 31 December 1997.

(b) Loans, mainly made in connection with house purchases or improvements, have been made to some Directors on the same terms as loans are available to senior staff.

The amounts outstanding are shown below:

	Transfer from Ciba-Geigy PLC on 1 January 1997 £	Maximum during 1997 £	At 31 December 1997 £
B G Kerr	110,000	110,000	<b>110,000</b>
I E F Stewart	44,500	44,500	<b>44,500</b>
M D Wright	176,000	176,000	<b>45,000</b>

# Ciba Specialty Chemicals PLC and its subsidiary

## Notes (continued)

for the 15 months ended 31 December 1997

### 9 Fixed assets

#### (a) Group and company

	Freehold land & buildings £000	Plant & machinery £000	Fixtures & fittings £000	In course of construction £000	Total £000
<b>Cost</b>					
Transfers from Ciba-Geigy PLC	57,392	157,280	19,981	27,182	261,835
Additions at cost	575	211	676	31,130	32,592
Reclassifications	4,935	14,573	3,260	(22,768)	-
Disposals	(10,483)	(2,525)	(772)	(237)	(14,017)
<b>At 31 December 1997</b>	<b>52,419</b>	<b>169,539</b>	<b>23,145</b>	<b>35,307</b>	<b>280,410</b>
<b>Depreciation</b>					
Transfers from Ciba-Geigy PLC	21,662	51,124	10,583	-	83,369
Charged to profit and loss account	1,452	7,641	2,196	-	11,289
Provision for permanent diminution in value	719	1,807	-	-	2,526
Reclassifications	(955)	671	284	-	-
Disposals	(6,598)	(918)	(557)	-	(8,073)
<b>At 31 December 1997</b>	<b>16,280</b>	<b>60,325</b>	<b>12,506</b>	<b>-</b>	<b>89,111</b>
<b>Net book value</b>					
<b>At 31 December 1997</b>	<b>36,139</b>	<b>109,214</b>	<b>10,639</b>	<b>35,307</b>	<b>191,299</b>

#### (b) Capital commitments

	1997 £000
Contracts for capital expenditure for which provision has not been made in the accounts	7,176

# Ciba Specialty Chemicals PLC and its subsidiary

Notes (continued)

for the 15 months ended 31 December 1997

## 10 Investment in subsidiary undertaking

	£
The investment in the subsidiary undertaking at cost is	2

The investment in the subsidiary undertaking comprises the entire share capital of Ciba Specialty Chemicals (Financial Services) Limited, a financial services company operating and being registered in England and Wales.

11 Stocks	Group 1997 £000	Company 1997 £000
Finished goods	50,175	50,175
Work in progress	5,931	5,931
Raw materials and other stocks	18,140	18,140
	<u>74,246</u>	<u>74,246</u>

12 Debtors	Group 1997 £000	Company 1997 £000
Amounts falling due within one year:		
Trade debtors	38,036	38,036
Amounts owed by group companies	35,138	26,189
Amounts owed by subsidiary undertaking	-	51,789
Other debtors	7,516	6,328
Prepayments and accrued income	1,990	1,990
	<u>82,680</u>	<u>124,332</u>

Amounts falling due after one year:

Pension prepayment	18,226	18,226
Other debtors	676	676
	<u>101,582</u>	<u>143,234</u>

## Ciba Specialty Chemicals PLC and its subsidiary

Notes (continued)

for the 15 months ended 31 December 1997

### 13 Creditors: amounts falling due within one year

	Group 1997 £000	Company 1997 £000
Bank loans and overdrafts	1,854	-
Other borrowings	20,500	-
Bills payable	33,000	-
Trade creditors	13,422	13,422
Amounts owed to group companies	20,592	20,592
Amounts owed to subsidiary undertaking	-	97,305
Taxation and social security	1,999	1,999
Other creditors	10,303	10,274
Accruals and deferred income	6,268	6,268
	<u>107,938</u>	<u>149,860</u>

### 14 Creditors: Amounts falling due after more than one year

	Group 1997 £000	Company 1997 £000
Accruals and deferred income (see (b) below)	6,120	6,120
Unsecured interest bearing loans owed to holding company	100,000	100,000
	<u>106,120</u>	<u>106,120</u>

(a) Amounts owed to the holding company are as follows:

£70,000,000 repayable on 29 September 2000 and interest is charged at LIBOR plus 0.5%.  
£30,000,000 repayable on 15 December 2000 and interest is charged at LIBOR plus 0.5%.

(b) Included within accruals and deferred income are government grants as follows:

	Group 1997 £000	Company 1997 £000
Transferred from Ciba-Geigy PLC	5,386	5,386
Amounts credited to profit and loss account	(266)	(266)
Additions to government grants	1,000	1,000
At end of period	<u>6,120</u>	<u>6,120</u>

## Ciba Specialty Chemicals PLC and its subsidiary

Notes (continued)

for the 15 months ended 31 December 1997

<b>15 Provisions for liabilities and charges</b>	<b>Group 1997 £000</b>	<b>Company 1997 £000</b>
Provision for post-retirement medical insurance costs ( note 7 )	2,036	2,036
Provisions for specialty chemicals divisions demerger	6,319	6,319
Provisions for potential environmental remediation costs	12,482	12,482
	<u>20,837</u>	<u>20,837</u>

## 16 Called-up share capital of Ciba Specialty Chemicals PLC

### Share capital

Authorised:

£000

2 billion ordinary shares of £0.05 each

100,000

Issued and called up:

999,813,360 ordinary shares of £0.05 each fully paid

49,991

On 22 August 1997 the authorised share capital was increased to £100 million. On the same day the existing share capital was restructured to the above. £49,988,484 of the shares are held by Ciba Specialty Chemicals International Inc, the remaining £2,184 are owned by Ciba Specialty Chemicals Inc.

## Ciba Specialty Chemicals PLC and its subsidiary

Notes (continued)

for the 15 months ended 31 December 1997

1997

£000

### 17 Reconciliation of movement in shareholders' funds

Profit for the period	28,770
Dividend in specie from Ciba-Geigy PLC converted to share premium on receipt	110,000
Issue of share capital	23
	138,793
Opening shareholders' funds	-
Closing shareholders' funds	138,793

### 18 Movements on reserves

	Group		
	Profit and loss account £000	Share premium account £000	Total £000
Transferred from Ciba-Geigy PLC	-	110,000	110,000
Profit for the period	28,770	-	28,770
Bonus issue to existing shareholders	-	(49,968)	(49,968)
<b>At 31 December 1997</b>	<b>28,770</b>	<b>60,032</b>	<b>88,802</b>

	Company		
	Profit and loss account £000	Share premium account £000	Total £000
Transferred from Ciba-Geigy PLC	-	110,000	110,000
Profit for the period	28,500	-	28,500
Bonus issue to existing shareholders	-	(49,968)	(49,968)
<b>At 31 December 1997</b>	<b>28,500</b>	<b>60,032</b>	<b>88,532</b>

# Ciba Specialty Chemicals PLC and its subsidiary

## Notes (continued)

for the 15 months ended 31 December 1997

<b>19 Reconciliation of operating profit to operating cashflows</b>	<b>1997</b>
	<b>£000</b>
Operating profit	35,511
Depreciation	13,815
Loss on sale of fixed assets	1,152
Sale of site	(6,161)
Exceptional item	2,770
Increase in stocks	(74,246)
Increase in debtors	(102,540)
Increase in creditors	57,704
Transfer of fixed assets from Ciba-Geigy PLC	(178,466)
Dividend in specie	110,000
Increase in provisions	20,837
<b>Net cash outflow from operating activities</b>	<b>(119,624)</b>

## 20 Analysis of cash flows for headings netted in the cash flow statement

<b>Returns on investments and servicing of finance</b>	<b>1997</b>
	<b>£000</b>
Interest received	42
Interest paid to third parties	(8,595)
<b>Net cash inflow for returns on investments and servicing of finance</b>	<b>(8,553)</b>

## Capital expenditure and financial investment

Purchase of tangible fixed assets	(32,592)
Disposal of land and buildings	10,866
Sale of other tangible fixed assets	87
<b>Net cash flow for capital expenditure and financial investment</b>	<b>(21,639)</b>

## Financing

Issue of ordinary share capital	23
Debt due within one year :	
- increase in short term borrowings	55,354
- cash received for government grant	1,000
Debt due beyond one year	
- increase in unsecured holding company loans	100,000
<b>Net cash inflow from financing</b>	<b>156,377</b>



## Ciba Specialty Chemicals PLC and its subsidiary

Notes (continued)

for the 15 months ended 31 December 1997

### 21 Commitments and contingent liabilities

1997  
£000

At 31 December 1997 Ciba Specialty Chemicals PLC had issued guarantees in respect of outstanding overdrafts and loans of its subsidiary amounting to

55,534

Commitments for the group to make payments in 1997 under operating leases :

Commitments expiring:

within one year

2

within two to five years

321

in more than five years

53

Total commitments

376

### 22 Ultimate parent company

The Directors consider Ciba Specialty Chemicals Holding Inc, a company incorporated in Switzerland, as the company's ultimate parent undertaking.

Copies of the accounts of Ciba Specialty Chemicals Holding Inc can be obtained from the following address: Ciba Specialty Chemicals Holding Inc, Building K-141, CH-4002 Basle, Switzerland or <http://www.cibasc.com>.